

Exposure Draft

**Initial Application of Ind AS 117 and Ind AS 109—Comparative
Information**

Amendments to Ind AS 117, *Insurance Contracts*

(Last Date for comments: March 10, 2022)



Issued by
Accounting Standards Board
The Institute of Chartered Accountants of India

Exposure Draft of Initial Application of Ind AS 117 and Ind AS 109—Comparative Information (Amendments to Ind AS 117, *Insurance Contracts*)

Note: The current status of Ind AS 117 is that the Standard has been approved by the Council of ICAI and recommended as per Section 133 of Companies Act, 2013.

Following is the Exposure Draft of proposed Amendments to Ind AS 117, *Insurance Contracts*, issued by the Accounting Standards Board (the Board) of the Institute of Chartered Accountants of India for comments.

Initial Application of Ind AS 117 and Ind AS 109- Comparative Information - Amendments to Ind AS 117, *Insurance Contracts*, added a transition option (classification overlay-paragraphs C28A-C28E) relating to comparative information about financial assets presented on initial application of Ind AS 117. Amendments have also been proposed to make the classification overlay available to entities that have applied Ind AS 109 before they apply Ind AS 117. For these entities, the classification overlay has been prescribed for the application of paragraph C29 of Ind AS 117 and can be applied only to financial assets derecognised in the comparative period.

The Board invites comments on the below mentioned specific question as well as on any aspect of this Exposure Draft:

Question for respondents

Internationally, IFRS 9, *Financial Instruments*, became effective for annual periods beginning on or after 1 January 2018 and entities are required to apply IFRS 17 for annual reporting periods beginning on or after 1 January 2023. However, IFRS 4, *Insurance Contracts*, provides insurance entities with a temporary exemption from applying IFRS 9 until 1 January 2023. The temporary exemption was provided under IFRS 4 because of additional accounting mismatches and apparent volatility that may arise in profit or loss in the period between the effective dates of IFRS 9 and IFRS 17. Accordingly, many insurance entities have taken advantage of the temporary exemption from IFRS 9 and will first apply IFRS 9 and IFRS 17 for annual reporting periods beginning on or after 1 January 2023. Due to accounting mismatch between financial assets and insurance contract liabilities in the comparative period which can arise on initial application of IFRS 17 and IFRS 9 due to the differences in the transition approaches in IFRS 9 and IFRS 17, amendments to IFRS 17 have been proposed by the IASB.

This Exposure Draft proposes amendments to Ind AS 117 corresponding to amendments to IFRS 17. In India, the temporary exemption from application of Ind AS 109 was not provided earlier. However, this option of classification overlay where Ind AS 109 and Ind AS 117 are applied at the same time has been included in the Exposure Draft.

In this regard, comments are sought on the following specific questions:

(a) Do you think that the transition option (classification overlay-paragraphs C28A-C28E) available to entities that first apply Ind AS 117 and Ind AS 109 at the same time, similar to the one provided in the aforesaid amendments to IFRS 17, could be relevant for

Indian entities.

(b) If yes, please explain the situation where this option could be relevant.

Comments are most helpful if they contain a clear rationale and, where applicable, provide suggestions for alternative wording.

Comments can be submitted using one of the following methods, so as to be received not later than **March 10, 2022**:

- 1 Electronically: Click on <http://www.icai.org/comments/asb/> to submit comment online (**Preferred method**)
- 2 Email: Comments can be sent to: commentsasb@icai.in
- 3 Postal: Secretary, Accounting Standards Board,
The Institute of Chartered Accountants of India,
ICAI Bhawan, Post Box No. 7100,
Indraprastha Marg, New Delhi 110 002

Further clarifications on the Exposure Draft may be sought by e-mail to asb@icai.in.

Initial Application of Ind AS 117 and Ind AS 109—Comparative Information

Amendments to Ind AS 117, *Insurance Contracts*

Paragraphs C2A, C28A–C28E, C33A and the heading before paragraph C28A are added. Paragraph C29 is not amended, but is included for ease of reference.

Appendix C

Effective date and transition

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Effective date

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C2A *Initial Application of Ind AS 117 and Ind AS 109—Comparative Information added paragraphs C28A–C28E and C33A. An entity that chooses to apply paragraphs C28A–C28E and C33A shall apply them on initial application of Ind AS 117.*

Transition

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Comparative information

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Entities that first apply Ind AS 117 and Ind AS 109 at the same time

C28A *An entity that first applies Ind AS 117 and Ind AS 109 at the same time is permitted to apply paragraphs C28B–C28E (classification overlay) for the purpose of presenting comparative information about a financial asset where the comparative information for that financial asset has not been restated for Ind AS 109. Comparative information for a financial asset will not be restated for Ind AS 109 where the entity restates prior periods but the financial asset has been derecognised during those prior periods (see paragraph 7.2.1 of Ind AS 109).*

C28B *An entity applying the classification overlay to a financial asset shall present comparative information as if the classification and measurement requirements of Ind AS 109 had been applied to that financial asset. The entity shall use reasonable and supportable information available at the transition date (see paragraph C2(b)) to determine how the entity expects the financial asset would be classified and measured on initial application of Ind AS 109 (for example, an entity might use preliminary assessments performed to prepare for the initial application of Ind AS 109).*

C28C *In applying the classification overlay to a financial asset, an entity is not required to apply the impairment requirements in Section 5.5 of Ind AS 109. If, based on the classification determined applying paragraph C28B, the financial asset would be subject to the impairment requirements in Section 5.5 of Ind AS 109 but the entity*

does not apply those requirements in applying the classification overlay, the entity shall continue to present any amount recognised in respect of impairment in the prior period in accordance with relevant provisions applicable to such an entity at that time. Otherwise, any such amounts shall be reversed.

C28D Any difference between the previous carrying amount of a financial asset and the carrying amount at the transition date that results from applying paragraphs C28B–C28C shall be recognised in opening retained earnings (or other component of equity, as appropriate) at the transition date.

C28E An entity that applies paragraphs C28B–C28D shall:

- (a) disclose qualitative information that enables users of financial statements to understand:
 - (i) the extent to which the classification overlay has been applied (for example, whether it has been applied to all financial assets derecognised in the comparative period);
 - (ii) whether and to what extent the impairment requirements in Section 5.5 of Ind AS 109 have been applied (see paragraph C28C);
- (b) only apply those paragraphs to comparative information for reporting periods between the transition date to Ind AS 117 and the date of initial application of Ind AS 117 (see paragraphs C2 and C25); and
- (c) at the date of initial application of Ind AS 109, apply the transition requirements in Ind AS 109 (see Section 7.2 of Ind AS 109).

Redesignation of financial assets

C29 At the date of initial application of Ind AS 117, an entity that had applied Ind AS 109 to annual reporting periods before the initial application of Ind AS 117:

- (a) may reassess whether an eligible financial asset meets the condition in paragraph 4.1.2(a) or paragraph 4.1.2A(a) of Ind AS 109. A financial asset is eligible only if the financial asset is not held in respect of an activity that is unconnected with contracts within the scope of Ind AS 117. Examples of financial assets that would not be eligible for reassessment are financial assets held in respect of banking activities or financial assets held in funds relating to investment contracts that are outside the scope Ind AS 117.
- (b) shall revoke its previous designation of a financial asset as measured at fair value through profit or loss if the condition in paragraph 4.1.5 of Ind AS 109 is no longer met because of the application of Ind AS 117.
- (c) may designate a financial asset as measured at fair value through profit or loss if the condition in paragraph 4.1.5 of Ind AS 109 is met.
- (d) may designate an investment in an equity instrument as at fair value through other comprehensive income applying paragraph 5.7.5 of Ind AS 109.
- (e) may revoke its previous designation of an investment in an equity instrument as at fair value through other comprehensive income applying paragraph 5.7.5 of Ind AS 109.

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C33A For a financial asset derecognised between the transition date and date of initial application of Ind AS 117, an entity may apply paragraphs C28B–C28E (classification overlay) for the purpose of presenting comparative information as if paragraph C29 had been applied to that asset. Such an entity shall adapt the requirements of paragraphs C28B–C28E so that the classification overlay is based on how the entity expects the financial asset would be designated applying paragraph C29 at the date of initial application of Ind AS 117.

Appendix 1

Comparison with IFRS 17, Insurance Contracts

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7. Since India early adopted Ind AS 109 corresponding to IFRS 9 and Ind AS corresponding to IAS 39 was not issued, reference of IAS 39 in paragraph C28C of IFRS 17 regarding impairment has been replaced with relevant provisions applicable at that time. Similarly, language of paragraph C28A has been amended to align the same with the transitional provisions of Ind AS 109.